

VZCZCXRO3457

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FM AMEMBASSY ATHENS
TO RUEHC/SECSTATE WASHDC 1015
INFO EUROPEAN POLITICAL COLLECTIVE
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 02 ATHENS 001613

SIPDIS

AMEMBASSY ANKARA PASS TO AMCONSUL ADANA
AMEMBASSY ASTANA PASS TO USOFFICE ALMATY
AMEMBASSY BERLIN PASS TO AMCONSUL DUSSELDORF
AMEMBASSY BERLIN PASS TO AMCONSUL LEIPZIG
AMEMBASSY BELGRADE PASS TO AMEMBASSY PODGORICA
AMEMBASSY HELSINKI PASS TO AMCONSUL ST PETERSBURG
AMEMBASSY ATHENS PASS TO AMCONSUL THESSALONIKI
AMEMBASSY MOSCOW PASS TO AMCONSUL VLADIVOSTOK
AMEMBASSY MOSCOW PASS TO AMCONSUL YEKATERINBURG

E.O. 12958: DECL: 2019/11/09

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SUBJECT: Ambassador's Call on Parliament President Petsalnikos

CLASSIFIED BY: Daniel V. Speckhard, Ambassador, State, EXEC; REASON:
1.4(B), (D)

¶1. (C) SUMMARY: Ambassador called on Parliament President Philippos Petsalnikos November 4 accompanied by DCM and POLOFF. On the Macedonia name issue Petsalnikos followed standard GoG lines, emphasizing the compound name used erga omnes, but also the Greek desire to move all of the Western Balkans forward on a Euro Atlantic path. He said the GoG will enhance the Parliament's role in budget oversight, especially defense appropriations where a new oversight committee is being formed. Ambassador noted that transparent defense appropriations would be good for both the Greek people and U.S. firms competing in the marketplace. The GoG is seized with the economic and fiscal crises - and will implement both a fiscal stimulus and smarter tax collection/ budgeting but also a smaller budget. Petsalnikos agreed fully with Ambassador's comment on the advantages to Greece's economic recovery of more predictability in legal/regulatory frameworks to support foreign investment. Ambassador pressed Petsalnikos to look positively at ratifying the Palermo Protocol on trafficking in persons. Petsalnikos promised to look into it, but underscored the need for Greece's neighbors to do more to control the movement of trafficking victims. END SUMMARY.

MACEDONIA NAME

¶2. (C) Ambassador praised PM Papandreou's new approach to regional issues, and noted that positive atmosphere that appeared to be developing, especially after the PM had a good meeting with Macedonian PM Gruevski in Brussels. Petsalnikos agreed that a new atmosphere would be helpful and said the GoG's approach will be to bring all of the Western Balkan countries into the Euro-Atlantic community. As the government had said, it planned to use the 2014 centennial of the start of WWI to focus attention to this. However, as a Macedonian himself, originating from Kastoria just miles from the "FYROM" border, Petsalnikos said the "simple and logical solution" would be for FYROM to take a geographic modifier to its name to distinguish itself from the original Macedonia, and use it universally. He hoped that Skopje would accept this quickly so that progress could be made - and noted his personal dissatisfaction that the Macedonians continued to try to "appropriate" his history. Ambassador said the USG urges both sides to engage quickly in the Nimetz process to find a mutually acceptable solution.

ECONOMY/FISCAL CRISIS

¶3. (C) Petsalnikos said the new Parliament was going to take a more active role in oversight of government - especially in the area of budgeting and procurement. The previous government had

made many bad decisions and Petsalnikos wanted to get Greece back into a situation "more like 2003-2004" when Greece entered the euro-zone and the economy was experiencing above EU-average growth. There would be a new defense appropriations oversight committee - similar to those used in other countries, including the USA. Oversight was needed in order to make better budgeting decisions, and the Parliament's work would be made public, in order to educate the Greek people and provide them greater understanding of the process. At the same time, the GoG was planning a new social solidarity tax which would be redistributed to the lowest income brackets in order to stimulate the economy. Petsalnikos said "I believe even President Obama has agreed that Keynesian economics is a good approach." Notwithstanding this stimulus package the GoG would submit November 5 "for the first time in 35 years" a smaller budget in both absolute terms and percentage of GDP. This was needed to demonstrate Greece's commitment to tackling the serious and growing deficit - now over twelve percent -- inherited from the previous government.

¶4. (C) Ambassador noted that transparency in defense procurement would be good for the Greek people, and he was confident that U.S. firms would be able to compete well in such an environment. Further, clear and predictable investment rules would permit greater business confidence. Improving the climate for foreign investment would help further stimulate Greece's economic growth and provide employment opportunities for young people. Petsalnikos agreed fully - he understood that investment rules cannot change every few years as governments change, and he promised to be attentive to this issue. (Note: Greece's position on the World Bank's Doing Business Indicators, and Transparency International's

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Corruption Index has continued to slip in recent years, with many neighboring countries now scoring significantly higher than Greece. End note.)

TIP/ PALERMO PROTOCOL

¶5. (C) Ambassador noted the progress Greece has made in the fight against trafficking in persons, and urged Petsalnikos to look into the status of the ratification of the 2000 Palermo Protocol, which Greece signed in 2000 but has not yet ratified. This would be a good signal of the new government's continuing seriousness about tackling this difficult problem which Greece suffers from, given its geographic location. Petsalnikos asked his staff assistant to look into this status of the ratification process, and recalled his time eight years ago as Public Order Minister, and then Justice Minister, when the GoG adopted a tough set of laws to combat trafficking. The real issue was to get Greece's neighbors to toughen their approaches, he said, singling out Turkey for not controlling its border with Greece, and Bulgaria.

¶6. (C) BIO NOTE: Petsalnikos is an experienced hand, having served as Minister of Justice and Minister of Public Order in previous PASOK governments. He is likely to use his new position to strengthen his role and the role of Parliament in government affairs - something the new PM said he would support. He is smart and articulate and desiring of stronger Greek-U.S. relations. However, his inability to communicate in English will inhibit his ability to build strong personal ties to counterparts in Congress. Speckhard